

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to new information

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$ 300,000)		(\$ 297,819)
CASH FUNDS				(\$ 12,054)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$300,000)		(\$309,873)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 902 amends Nebraska Revised Statutes dealing with revenue and taxation regarding government property exempt from property taxes and the state and political subdivisions exemption from sales and use taxes.

Section 77-202 is amended to further define that property of the state and its governmental subdivisions includes property held in fee title by the state or its subdivisions and property beneficially owned by the state or its subdivisions in that it is being used for a public purpose and is being acquired under a lease-purchase agreement, financing lease, or other instrument which provides legal transfer of title to the state or a governmental subdivision upon payment of all amounts due under the agreement, lease, or instrument. The bill would exempt such property from property taxes.

The bill amends Section 77-2704.15 to exempt from sales and use taxes all purchases made by a non-profit corporation under a lease – purchase agreement, financing lease, or other similar instrument which provides for transfer of title to the property to the state or a governmental unit upon payment of all amounts due under the agreement, lease, or instrument.

The changes proposed in LB 902 apply retroactively and well as after the effective date of the bill. The bill contains the emergency clause.

The Department of Revenue indicates that there appear to be a number of these projects in the state that are considered subject to the sales tax. They estimate that these projects, looking back only to a three-year statute of limitations for refunds, would amount to a net General Fund sales tax reduction, refunds and smaller collections as follows:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:
FY2012-13:	(\$ 5,125,000)	\$ 0
FY2013-14:	(\$ 297,819)	(\$ 12,054)
FY2014-15:	(\$ 310,228)	(\$ 12,556)

The Department estimates no cost to implement the provisions of LB 902.

While we do not completely disagree with the Department of Revenue's estimate of fiscal impact, we do believe the tax remittance by these non-profit entities has been inconsistent and minimal at best. Confusion regarding the applicability of the current statute, ignorance of the current law, or even refusal to remit taxes due has probably led to a high degree of noncompliance and any tax revenue collected to date has probably been relatively small and, therefore, actual lost revenue as a result of LB 902 would also be commensurately small. However, because of enforcement efforts by the Department and the recent Departmental ruling on this issue, it is clear that these taxes are at this time due and payable to the state and would be revenue forgone with the passage of LB 902.

We believe the fiscal impact to the state would be approximately as follows:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:
FY2012-13:	(\$ 300,000)	\$ 0
FY2013-14:	(\$ 297,819)	(\$ 12,054)
FY2014-15:	(\$ 310,228)	(\$ 12,556)

IMPACT TO POLITICAL SUBDIVISIONS:

We estimate the following fiscal impact to the Highway Allocation Fund:

FY2012-13:	\$	0
FY2013-14:	(\$	2,127)
FY2014-15:	(\$	2,216)

